

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2798-01
BILL NO.: HB 1371
SUBJECT: Disabilities; Revenue Dept.; Taxation and Revenue - General
TYPE: Original
DATE: January 24, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0	(\$50,624 to Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on <u>All</u> State Funds*	\$0	(\$50,624 to Unknown)	\$0 to (Unknown)

* Loss in revenue could exceed \$100,000

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state this proposal creates the Home Disability Tax Credit Program, whereby any individual taxpayer with a federal adjusted gross income of \$30,000, or less, will receive a tax credit equal to 50% of the costs incurred on behalf of an eligible disabled individual for assistive technology and custodial care. The tax credit shall not exceed \$3,000 and is refundable up to \$300 per tax year.

The DOR also states that any individual taxpayer with a federal adjusted gross income greater than \$30,000 will be eligible for the tax credit equal to 25% of the costs incurred, not to exceed \$3,000. This tax credit, however, is non-refundable.

ADMINISTRATIVE IMPACT: The number of taxpayers eligible for this tax credit is unknown at this time. The Division of Taxation will need one temporary tax season employee (at \$8.00 per hour) for every 130,000 returns filed (key entry), and one Tax Processing Tech I for every 30,000 income tax errors generated by this proposal. One Tax Processing Tech I will also be needed for every 3,000 additional pieces of correspondence generated by this legislation.

Modifications will also be needed for the individual and corporate income tax systems. The Division of Taxation has estimated these modifications would require 1,384 programming hours at a cost of \$41,617. Modifications to tax returns and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured, and are estimated to be \$9,007

The **Office of Administration, Budget and Planning** state they have no estimate of how many taxpayers would use this credit and consequently, how this proposal would impact State revenue.

Officials from the **Department of Health** and the **State Tax Commission** assume this proposal will have no fiscal impact on their agencies

Oversight assumes this proposal would not result in a need for any additional capital improvements or rental space as indicated by the DOR. Oversight also assumes costs and revenue losses associated with this program would be incurred starting with fiscal year 2002, since the credits are eligible for all tax years beginning on or after January 1, 2001. Oversight assumes the loss in revenue from this proposal is unknown and could exceed \$100,000.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

Costs - Department of Revenue

Reprogramming costs	\$0	(\$50,624)	\$0
Personal Service	\$0	(Unknown)	(Unknown)
Fringe Benefits	\$0	(Unknown)	(Unknown)
Expense and Equipment	\$0	(Unknown)	(Unknown)

Loss - General Revenue Fund

Creation of Home Disability Tax Credit Program	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON
GENERAL REVENUE FUND**

<u>\$0</u>	<u>(\$50,624 to Unknown)</u>	<u>\$0 to (Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (6 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal creates the Home Disability Tax Credit Program. The proposal authorizes a state individual income tax credit for purchases of certain assistive technology products, devices, and equipment and for certain custodial care costs by a taxpayer on behalf of an eligible disabled individual.

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DESCRIPTION (continued)

The tax credit will be equal to 50% of the cost of the assistive technology products, devices, and equipment and for custodial care costs if the taxpayer's federal adjusted gross income is \$30,000 or less. The tax credit will be equal to 30% of the cost if the taxpayer's federal adjusted gross income is greater than \$30,000. The maximum credit for any one taxpayer cannot exceed \$3,000. If the taxpayer's federal adjusted gross income is \$30,000 or less, any unused credit will be refunded up to \$300.

This credit applies to tax year 2001 and thereafter.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Department of Taxation
Office of Administration
Budget and Planning
Department of Health

A handwritten signature in black ink, appearing to read "Jeanne Jarrett".

Jeanne Jarrett, CPA
Director
January 24, 2000